

AR25

FRUEHAUF

TRAILER COMPANY OF CANADA LIMITED

ANNUAL REPORT 1971

FRUEHAUF

FRUEHAUF
ANTI-SAIL

FRUEHAUF
ANTI-SAIL

BUS. 277-9511
RES. 247-7904

FRUEHAUF

W. T. McDOUGALL
TREASURER - CONTROLLER

FRUEHAUF TRAILER COMPANY OF CANADA LIMITED
2450 STANFIELD RD., MISSISSAUGA, ONTARIO

OF
COMPANY
DA

Stanfield Road, Dixie, Mississauga, Ontario

INDEX

| | |
|-----------------------------------------------------------------|----|
| Financial Highlights | 1 |
| Directors and Officers | 2 |
| Letter to Shareholders | 3 |
| Statement of Net Earnings | 5 |
| Balance Sheets | 6 |
| Statement of Earnings Retained for Use in the Business | 8 |
| Statement of Working Capital ... | 8 |
| Notes to Financial Statements | 9 |
| Auditors' Report | 9 |
| Statistical Summary on Operations | 10 |
| Revenue Dollar Distribution | 12 |
| Coast to Coast Facilities | 12 |

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of the Fruehauf Trailer Company of Canada Limited will be held on Thursday, April 20, 1972, at 2.30 p.m. (Toronto Time) at the Executive Offices, 2450 Stanfield Road, Dixie, Town of Mississauga, Ontario.

Proxies will be solicited from Shareholders when the Notice of Annual Meeting and Proxy Statement are mailed on or about March 30, 1972.

TRANSFER AGENT AND REGISTRAR

National Trust Company, Limited,
Toronto and Montreal

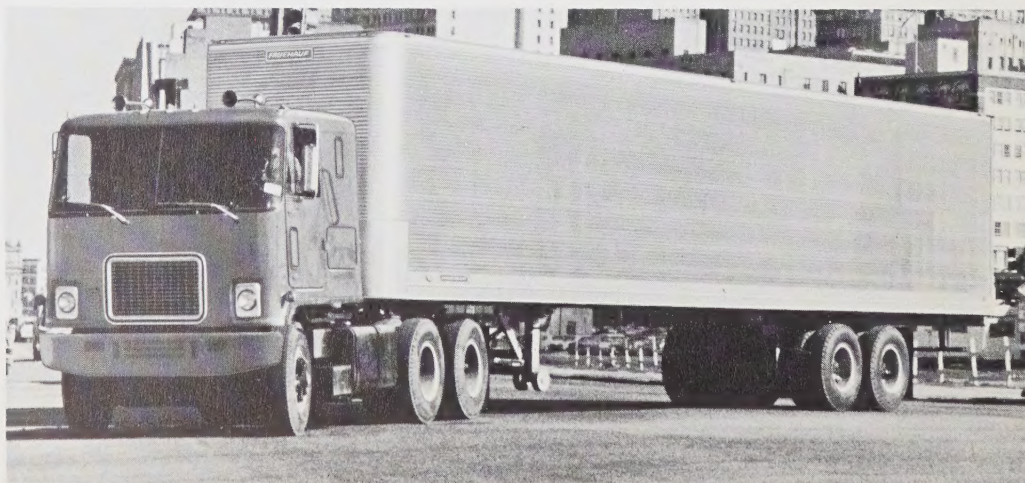
SOLICITORS

Borden, Elliot, Kelley & Palmer
Toronto, Ontario

AUDITORS

Touche Ross & Co.
Toronto, Ontario

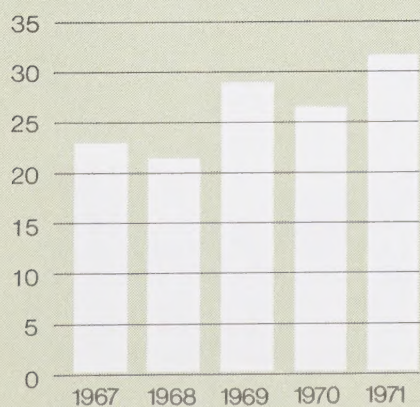
Model "F" Van trailer —
produced with prepainted
aluminum beaded panels —
lightweight aluminum provides
maximum payload with a minimum
of maintenance.



FINANCIAL AND STATISTICAL HIGHLIGHTS

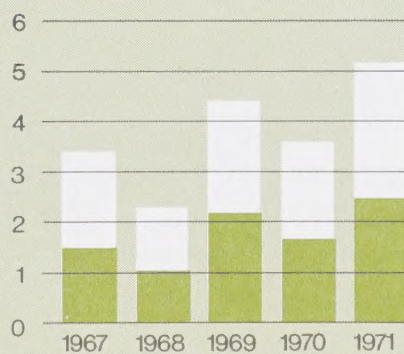
| | 1971 | 1970 |
|-----------------------------------------|---------------------|--------------|
| Net Sales | \$31,789,041 | \$25,643,625 |
| Earnings before Taxes on Income | 5,145,776 | 3,682,607 |
| Earnings: Per cent to Sales | 16.2 | 14.4 |
| Net Earnings | 2,501,776 | 1,709,607 |
| Net Earnings: Per cent to Sales | 7.9 | 6.7 |
| Net Earnings per Share | 2.77 | 1.90 |
| Dividends per Share | .75 | .75 |
| Net Assets (Book Value) per Share | 23.35 | 20.65 |
| Total Assets | 30,784,211 | 30,582,683 |
| Working Capital | 17,265,556 | 14,887,442 |
| Number of Shareholders | 296 | 327 |
| Number of Employees | 841 | 653 |

NET SALES \$ MILLIONS



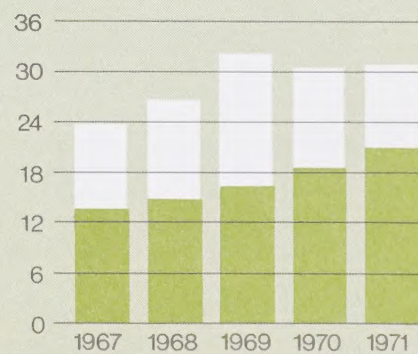
NET EARNINGS \$ MILLIONS

EARNINGS BEFORE TAXES ON INCOME



TOTAL ASSETS \$ MILLIONS

SHAREHOLDERS' EQUITY



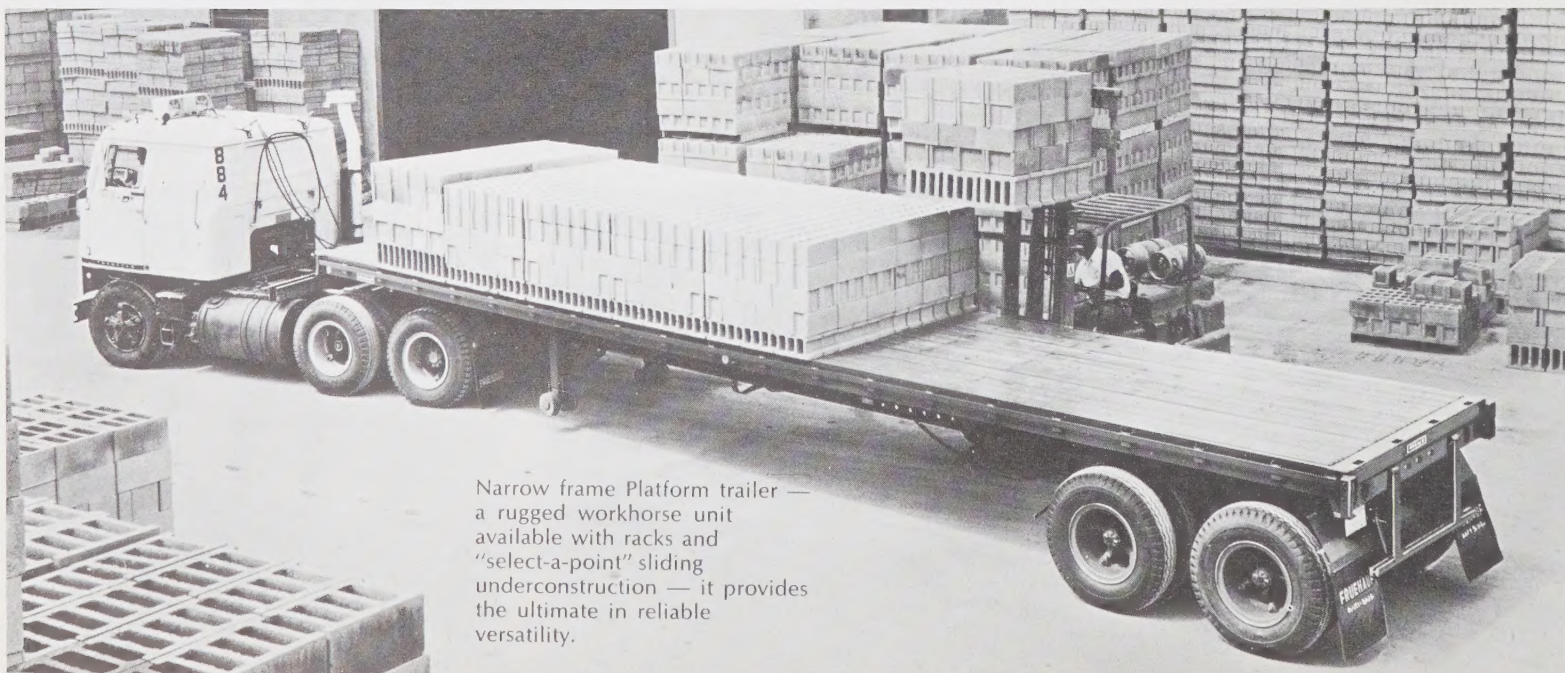
DIRECTORS

| | |
|------------------------|------------------------------------------------------------------------------------------------------------------|
| W. E. Grace | President of the Company and President and Chief Executive Officer of Fruehauf Corporation, Detroit, Michigan |
| D. A. Grinstead | Vice President of the Company Toronto, Ontario |
| W. T. McDougall | Treasurer and Controller of the Company Toronto, Ontario |
| T. J. Reghanti | Vice President and General Manager Fruehauf Division, Fruehauf Corporation Detroit, Michigan |
| R. D. Rowan | Vice President of the Company and Executive Vice-President—Finance Fruehauf Corporation, Detroit, Michigan |
| E. L. Rushmer | Secretary of the Company and Vice President and Secretary, Fruehauf Corporation, Detroit, Michigan |
| R. J. Telford | Retired: Previous Vice President of the Company, Toronto, Ontario |

in U.S.A.

OFFICERS

| | |
|------------------------|--------------------------|
| W. E. Grace | President |
| D. A. Grinstead | Vice President |
| R. D. Rowan | Vice President |
| W. T. McDougall | Treasurer and Controller |
| E. L. Rushmer | Secretary |
| A. Purdon | Assistant Secretary |
| B. A. West | Assistant Controller |



Narrow frame Platform trailer — a rugged workhorse unit available with racks and "select-a-point" sliding underconstruction — it provides the ultimate in reliable versatility.

REPORT ON OPERATIONS - 1971

To Our Shareholders:

We are pleased to report that 1971 was a most successful year for your Company. Both sales and earnings set all time records. The strong customer demand for our products enabled us to increase production consistently as the year progressed, despite a modest order backlog at the outset. Through most of the year, production facilities operated at a constant high level which was a definite factor contributing to the record earnings.

Sales

Total sales of all products reached \$31,789,041, an increase of 24% over the \$25,643,625 volume in the 1970 year. The current year's sales also represent an increase of 9% over the previous record attained in 1969. Improvement in sales represents increased market penetration in new trailers as well as gains in other commercial product lines.

Earnings

Net earnings for the year climbed 45% over the prior year also attaining an all time record of \$2,501,776. Current year earnings represent \$2.77 per share and compare with \$1,709,607, equal to \$1.90 per share, earned in 1970. The per share earnings of \$2.77 in 1971 are 17% over the previous record of \$2.36 in 1969. Following the somewhat slow first quarter of 1971, each of the succeeding quarters set records for their respective quarterly periods.

Dividends

On March 26, 1971, your Company paid a dividend of seventy-five cents per share to all holders of common shares, other than the major shareholder, Fruehauf Corporation (U.S.). On February 21, 1972, in view of the increased earnings results, the Board of Directors declared a further dividend of one dollar (\$1.00) per share. This dividend is payable March 24, 1972 to all holders of record on March 3, 1972. This will be the eighth consecutive year, since becoming a public company, in which a dividend has been declared. With the improved earnings, your Directors feel that the higher dividend on the 1971 year's earnings is warranted.

Over the last ten years the major shareholder, Fruehauf Corporation, has assisted the Company in numerous ways to achieve the complete reversal of the unsatisfactory operations of the 1960-61 years. During seven successive annual dividend payments Fruehauf Corporation waived its right to the dividend. This action had a significant benefit to the working capital position of the Company during these rebuilding years. Now that the Canadian Company has attained a strong working capital position and in view of the favourable results

of the 1971 year, Fruehauf Corporation will participate in the current dividend.

Revenue Producing Investments

Both equipment financed under installment contracts and equipment leased to customers continue to provide significant contributions to our profits. Throughout the greater part of the year both of these categories maintained a steady growth pattern. However, late in the year two customers who had acquired substantial quantities of trailers under both leases and installment contracts arranged major refinancing of their operations, following which they were able to prepay their obligations to us. As a result, the year end balance sheet shows a net decline in each of these categories. Installment contracts at year end were \$13,026,000, compared to \$14,423,000 at the close of 1970. While there was a net decrease in the portfolio, finance revenue earned in the year reached an all time high of \$1,732,102, up 2% over the previous year's revenue of \$1,700,034. Investment in equipment leased to customers of \$3,410,368 is down \$178,528 from the year earlier. During the year the cost of equipment placed on long term leases was \$1,537,623, slightly below additions in the prior year of \$1,779,590. Throughout most of 1971 and continuing to the present time there is an abundant supply of cash available in the overall banking system. During such periods some customers may take advantage of such short term availability in financing equipment acquisitions. However, we are confident that over the long term, both of our revenue producing investments will continue to expand. Both of these methods provide our customers with a method of implementing long term equipment acquisition programs with minimal demands on their working capital.

Capital Expenditures and Depreciation

Expenditures for capital equipment during 1971 were approximately the same as the previous year. Such expenditures in both periods represent capital outlay of a regular replacement nature. In the coming year we plan to undertake some expansion at two of our production locations. In both instances the expenditures will be for modification and addition to existing facilities and will be designed to permit improved production flow to effect an increase in capacity. These expenditures, which are now in final development stages, are not anticipated to exceed one million dollars.

Depreciation of plant and equipment totalled \$374,414 compared to \$349,711 in 1970. Depreciation of equipment leased to customers was \$1,134,202 in 1971 compared to \$1,126,380 in the prior year. Fixed assets are depreciated on a straight

line write-off method, based on the life expectancy of the individual asset. Generally we employ a ten year life on machinery and mechanical equipment, seven years on automotive and forty years on buildings and structures. Equipment leased to customers is amortized over the term of the lease to a projected terminal value. Following termination of the lease the equipment is normally disposed of through our used equipment marketing operation, providing an additional source of profit.

Financial Position

An impressive increase in working capital of \$2,378,114 to \$17,265,556 was achieved during the year. A strong current ratio of 3.74 to 1 compares to the 2.85 to 1 position of current assets to liabilities at the previous year end. The increases in both open accounts receivable and inventories are directly related to the present high level of sales and production. The increase in accounts receivable is represented mainly by equipment sales which will be converted into cash or interest earning installment contracts. In line with increased sales, inventories increased 27% at year end. Effective inventory controls were maintained throughout 1971, resulting in improved inventory turnover compared to the same periods of 1970.

Cash flow from operations in 1971 was \$2,838,000, equal to \$3.15 per share, up from \$1.15 per share in 1970. The increased cash has been applied to reduce borrowings which had the attendant benefit of reducing interest expense. Interest expense at \$297,184 represents a reduction of 51% from the previous year.

Over the years we have been able to conserve cash through the method employed for tax purposes with respect to installment contracts and depreciable assets. The profit on equipment sold under installment contracts is taxed pro-rata during the years in which payment is received. Similarly where the accumulated Capital Cost Allowance for tax purposes exceeds book depreciation a deferral of income tax is established. Conversely in a year where the total notes receivable portfolio would decline or where book depreciation would exceed capital cost allowance for tax purposes, a part of the tax previously deferred would become payable. In 1971, both of these conditions occurred and consequently an additional amount of tax, totalling \$91,400 became payable. We have had the benefit of this cash deferral over the years and the reduction of borrowing costs that would have otherwise been incurred. At the end of 1971, we still have a combined cash benefit from such deferrals of \$2,057,600; \$1,297,800 from installment contracts and \$759,800 from depreciable assets. Our strong financial position

Aluminum Dump trailer — this fully welded aluminum body dump trailer provides sturdy lightweight construction for maximum payload capacity.

is backed by an adequate line of credit to meet our operating demands for the foreseeable future.

Products and Facilities

Recent changes in highway weight regulations introduced by the Province of Ontario had a direct bearing on the year's trailer production volume. The results of extensive study by a number of fleet operators has culminated in programmed modernization of many fleets. Thus, considerably increased payloads permitted under varying wheelbase arrangements which made such modernization mandatory, to a great extent created our volume surge in 1971. Much of this trailer modernization was forecast in our report on the 1970 year when we outlined the use of "widespread" equipment; the weight benefit achieved by varying or spreading axles on road equipment.

The extensive testing of redesigned and improved payload equipment which was undertaken by our Company during the 1970 year has been most rewarding. The acceptability of the product continues to expand. With the proven design resulting in ever increasing production volume, we are now concentrating on necessary modifications to our facilities to enable efficient handling of greater volume in peak periods. Highlights of our expanded facilities program were outlined earlier in capital expenditures. At the main Dixie manufacturing plant production flow will be speeded by a completely new painting procedure, as well as extensive revision to urethane foam insulating processes. At our Calgary manufacturing location, which has also been operating at a high level of production, we also plan to extend the existing building. The additional trailer bays, which will be basically for customer service, will permit an improvement of painting processes and will have a particular benefit to production flow.

During 1971 the growth in the Canadian economy was not consistent throughout the entire country. There were a number of pockets of economic doldrums. Fortunately our trailer service facilities fared well in total as sales of both service repairs and replacement parts also exceeded the prior year. With eight service branches covering the major centres from Vancouver to Quebec, we did experience greater growth in some areas than in others. In the localities of greatest advancement we enjoyed some periods nearing our service repair capacity. As a result we are also studying service capability in relation to



area potential in two separate service branch locations. In addition to maintaining our service branches with the latest in efficient trailer repair equipment, we are dedicated to ensuring adequate facilities to meet the repair volume demands of our customers.

In the outlying centres of Canada, both distributors and dealers represent Fruehauf. These independent businesses sell and service your Company's products with the ability to handle the specialized transportation needs of their individual localities.

Your Company produces all models of dry freight and insulated van trailers, as well as warehouse, livestock and grain haul vans. In addition we manufacture platform and rack type units, dump trailers, and an extremely extensive line of tank type trailers which may be specially designed to meet the varying requirements of liquid and dry flowable bulk product movement. We also produce a full line of carryall heavy equipment trailers and many models of off-the-road trailers for the oil-field, logging and mining industries. We produce a complete line of closed type truck bodies and have a separate marketing group handling the sale of all models of used trailers. Fruehauf services all of its product sales with a complete line of replacement parts and repair service.

Affiliates and Associates

Fruehauf — Canada is a public company registered on the Toronto Stock Exchange. It is 91% owned by Fruehauf Corporation (U.S.). Under a royalty agreement between the two companies, Fruehauf — Canada has available to it the full benefit of the extensive research and development of the parent organization. The direct benefits accruing from this arrangement are too numerous to begin to list. They do, however, include such major benefits as new model design, research analysis and improvement on existing models, and constant technical and production methods assistance, to name but a few.

Fruehauf is a world wide organization and

Fruehauf Corporation has associates and affiliates in some sixty countries throughout the world. Over the years, Fruehauf — Canada has played an important part in the exchange of ideas in this world wide association. At the same time our Company has itself received a very definite benefit from this relationship. We look forward to continuing benefits from this worthwhile exchange of information and ideas.

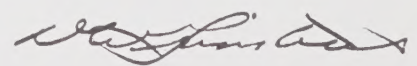
Industry and Outlook

The 1971 year was an outstanding year for the trailer industry and in particular for Fruehauf. The year exceeded original expectations and we were able to set many new records. We have started 1972 with our highest order backlog on record. The achievements we attained in the 1971 year will be pace setters for the coming year and we have every confidence that they can be bettered.

Our achievements are the results of the effort and skills of all Fruehauf people. Their continued dedication and loyalty is our strength for the future and your Directors express appreciation for the untiring efforts shown. We also take this opportunity to thank our distributors and dealers and all of our customers and shareholders for the confidence they have shown in our activities and products.

On Behalf of the Board


W. E. Grace, President


D. A. Grinstead, Vice-President

March 20, 1972.

STATEMENT OF NET EARNINGS

YEARS ENDED
DECEMBER 31, 1971
AND DECEMBER 31, 1970

| | 1971 | 1970 |
|-----------------------------------------------------------------------------------------|---------------------|---------------------|
| REVENUES | | |
| Net sales | \$31,789,041 | \$25,643,625 |
| Finance revenue | 1,732,102 | 1,700,034 |
| Miscellaneous | 42,896 | 62,033 |
| | <u>33,564,039</u> | <u>27,405,692</u> |
| COST AND EXPENSES | | |
| Cost of products and service sold, other than items below | 23,963,131 | 19,319,712 |
| Selling and administrative expenses | 2,259,918 | 1,954,724 |
| Depreciation | 1,508,616 | 1,476,091 |
| Taxes other than taxes on income | 389,414 | 357,968 |
| Interest (including \$140,275 in 1971 and \$149,337 in 1970 on long-term debt) | 297,184 | 614,590 |
| | <u>28,418,263</u> | <u>23,723,085</u> |
| EARNINGS BEFORE TAXES ON INCOME | 5,145,776 | 3,682,607 |
| Taxes on income | | |
| Current | 2,735,400 | 1,799,000 |
| Deferred (credit*) | 91,400* | 174,000 |
| | <u>2,644,000</u> | <u>1,973,000</u> |
| NET EARNINGS | <u>\$ 2,501,776</u> | <u>\$ 1,709,607</u> |
| NET EARNINGS PER SHARE | <u>\$2.77</u> | <u>\$1.90</u> |

BALANCE SHEETS

FRUEHAUF TRAILER COMPANY OF CANADA LIMITED

(Incorporated under the Canada Corporations Act)

ASSETS

| | December 31 1971 | December 31 1970 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash | \$ 181,618 | \$ 504,369 |
| Trade receivables | | |
| Installment contracts (including installments of \$9,439,590 maturing after one year) less unearned finance charges of \$2,407,305 at December 31, 1971 | 13,026,000 | 14,423,000 |
| Accounts receivable | 4,426,919 | 3,548,847 |
| | <u>17,452,919</u> | <u>17,971,847</u> |
| Inventories (Note 1) | 5,857,272 | 4,464,609 |
| Prepaid expenses | 79,877 | 99,551 |
| | <u>23,571,686</u> | <u>23,040,376</u> |
| TOTAL CURRENT ASSETS | | |
| INVESTMENTS AND OTHER ASSETS | | |
| Equipment leased to customers — at cost less accumulated depreciation of \$2,319,321 at December 31, 1971 (Note 2) | 3,410,368 | 3,588,896 |
| Other assets | 73,757 | 83,904 |
| | <u>3,484,125</u> | <u>3,672,800</u> |
| PROPERTY, PLANT AND EQUIPMENT — at cost | | |
| Land | 478,671 | 478,671 |
| Buildings and equipment | 3,256,006 | 3,201,759 |
| Machinery and other equipment | 3,315,594 | 3,267,499 |
| | <u>7,050,271</u> | <u>6,947,929</u> |
| Less accumulated depreciation | 3,321,871 | 3,078,422 |
| | <u>3,728,400</u> | <u>3,869,507</u> |
| TOTAL ASSETS | <u>\$30,784,211</u> | <u>\$30,582,683</u> |

LIABILITIES AND SHAREHOLDERS' INVESTMENT

| | December 31 1971 | December 31 1970 |
|------------------------------------------------------------------------|----------------------------|----------------------------|
| CURRENT LIABILITIES | | |
| Notes payable to bank — secured | \$ 1,240,000 | \$ 4,400,000 |
| Accounts payable and accrued liabilities | 2,116,035 | 2,031,843 |
| Taxes on income (including \$1,297,800 deferred) | 2,249,800 | 1,460,300 |
| Due to Fruehauf Corporation | 600,295 | 185,791 |
| Sinking fund payment due within one year | 100,000 | 75,000 |
| TOTAL CURRENT LIABILITIES | <u>6,306,130</u> | <u>8,152,934</u> |
| OTHER LIABILITIES | | |
| Taxes on income — non current | 759,800 | 703,300 |
| 5% Note to Fruehauf Corporation | 1,400,000 | 1,700,000 |
| 5 ¹ / ₄ % Sinking Fund Debentures (Note 3) | 1,250,000 | 1,400,000 |
| | <u>3,409,800</u> | <u>3,803,300</u> |
| SHAREHOLDERS' INVESTMENT | | |
| Capital stock, without nominal or par value | | |
| Authorized 2,000,000 shares | | |
| Issued and outstanding 901,925 shares | 5,149,063 | 5,149,063 |
| Earnings retained for use in the business | 15,919,218 | 13,477,386 |
| | <u>21,068,281</u> | <u>18,626,449</u> |
| COMMITMENTS AND CONTINGENT LIABILITIES (Notes 4 and 5) | | |
| On behalf of the Board | | |
| W. T. McDougall, Director | | |
| R. D. Rowan, Director | | |
| TOTAL LIABILITIES AND SHAREHOLDERS' INVESTMENT | <u><u>\$30,784,211</u></u> | <u><u>\$30,582,683</u></u> |

STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

YEARS ENDED
DECEMBER 31, 1971
AND DECEMBER 31, 1970

| | 1971 | 1970 |
|-----------------------------------------|---------------------|---------------------|
| Balance at beginning of year | \$13,477,386 | \$11,827,723 |
| Net earnings for the year | 2,501,776 | 1,709,607 |
| | <u>15,979,162</u> | <u>13,537,330</u> |
| Less cash dividends paid (Note 6) | 59,944 | 59,944 |
| Balance at end of year | <u>\$15,919,218</u> | <u>\$13,477,386</u> |

STATEMENT OF WORKING CAPITAL

YEARS ENDED
DECEMBER 31, 1971
AND DECEMBER 31, 1970

| | 1971 | 1970 |
|-------------------------------------------------------------------------|----------------------------|----------------------------|
| SOURCES OF WORKING CAPITAL | | |
| OPERATIONS | | |
| Net earnings for the year | \$ 2,501,776 | \$ 1,709,607 |
| Depreciation of equipment leased to customers | 1,134,202 | 1,126,380 |
| Depreciation of plant and equipment | 374,414 | 349,711 |
| Increase in deferred taxes on income included in other liabilities | 56,500 | 188,300 |
| | <u>4,066,892</u> | <u>3,373,998</u> |
| TOTAL FROM OPERATIONS | | |
| OTHER | | |
| Retirement of equipment leased to customers | 581,949 | 53,431 |
| Decrease in other assets | 10,147 | 1,183 |
| Disposal of property, plant and equipment at net book value | 7,849 | 9,850 |
| | <u>4,666,837</u> | <u>3,438,462</u> |
| APPLICATION OF WORKING CAPITAL | | |
| Cash dividend | 59,994 | 59,944 |
| Additions to equipment leased to customers | 1,537,623 | 1,779,590 |
| Additions to property, plant and equipment | 241,156 | 194,956 |
| Decrease in long-term debt | 450,000 | 167,500 |
| | <u>2,288,723</u> | <u>2,201,990</u> |
| NET INCREASE IN WORKING CAPITAL FOR YEAR | 2,378,114 | 1,236,472 |
| WORKING CAPITAL AT BEGINNING OF YEAR | 14,887,442 | 13,650,970 |
| WORKING CAPITAL AT END OF YEAR | <u>\$17,265,556</u> | <u>\$14,887,442</u> |

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED
DECEMBER 31, 1971

NOTE 1 — INVENTORIES

Inventory amounts are based upon physical determinations during the year and have been stated at the lower of cost or market prices. Cost prices are determined by the first-in, first-out method, and market prices represent the lower of replacement cost or estimated net realizable amount.

A summary of inventories follows

| | December 31 | |
|--------------------------------------------------------------|--------------------|--------------------|
| | 1971 | 1970 |
| New trailers | \$1,192,040 | \$1,074,476 |
| Production parts, work in process and raw materials | 2,177,479 | 1,373,490 |
| Service parts and orders in process | 1,768,181 | 1,514,059 |
| Used trailers | 719,572 | 502,584 |
| | <u>\$5,857,272</u> | <u>\$4,464,609</u> |

NOTE 2 — EQUIPMENT LEASED TO CUSTOMERS

Lease rental payments are recognized as income in the period in which they are earned, and the costs of the equipment are depreciated over their useful lives on a straight-line basis.

NOTE 3 — 5 1/4% SINKING FUND DEBENTURES

The 5 1/4% Sinking Fund Debentures, Series "A" are due November 1, 1976; redemption price to November 1, 1972 101 1/4% decreasing 1/4 of 1% each year thereafter and annual sinking fund payments of \$150,000 are required.

NOTE 4 — LONG-TERM LEASES

The company is lessee under long-term leases for the sales and service branches. The annual rental on such properties will approximate \$170,000 in 1972, exclusive of taxes, insurance, maintenance and repairs, which are also payable by the company. The company has the right to purchase three of these properties and if these rights were exercised, the aggregate purchase price would amount to approximately \$795,000.

NOTE 5 — PENSIONS

Unfunded past service costs of pension plans covering certain employees amounting to approximately \$374,000 at December 31, 1971, are being amortized over thirty-year periods. The amount charged to operations in 1971 for such plans was \$160,329. The actuarially computed value of unfunded vested benefits was \$359,000 at December 31, 1971.

NOTE 6 — CASH DIVIDENDS PAID

A dividend of \$0.75 per share was paid during the year on 79,925 shares, which excludes the 822,000 shares owned by Fruehauf Corporation which waived its right to the dividend otherwise payable.

NOTE 7 — DIRECTORS AND OFFICERS

Aggregate remuneration of the seven directors, as directors amounted to \$1,200 and for the seven officers amounted to \$89,710. Five officers are also directors.

AUDITORS' REPORT

The Shareholders,
Fruehauf Trailer Company of Canada Limited.

We have examined the balance sheet of Fruehauf Trailer Company of Canada Limited as at December 31, 1971 and the statements of net earnings, earnings retained for use in the business and working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the changes in its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
February 8, 1972.

Touche Ross & Co.
Chartered Accountants.

STATISTICAL SUMMARY OF OPERATIONS

| | 1971 | 1970 | 1969 | 1968 |
|-----------------------------------------------|--------------|--------------|------------|------------|
| INCOME DATA | | | | |
| Sales | \$31,789,041 | \$25,643,625 | 28,967,895 | 21,367,992 |
| Finance Revenue | 1,732,102 | 1,700,034 | 1,457,509 | 1,105,839 |
| Cost of Products and Service Sold | 23,963,131 | 19,319,712 | 21,734,756 | 16,652,542 |
| Per cent to Sales | 75.3 | 75.3 | 75.0 | 77.9 |
| Selling and Administrative Expenses ... | \$ 2,259,918 | \$ 1,954,724 | 2,072,844 | 1,764,335 |
| Per cent to Sales | 7.1 | 7.6 | 7.2 | 8.2 |
| Depreciation—Equipment Leased to Customers | \$ 1,134,202 | \$ 1,126,380 | 977,428 | 759,930 |
| —Plant and Equipment ... | 374,414 | 349,711 | 332,633 | 343,490 |
| Earnings before Taxes on Income | 5,145,776 | 3,682,607 | 4,485,393 | 2,280,782 |
| Per cent to Sales | 16.2 | 14.4 | 15.5 | 10.7 |
| Net Earnings | \$ 2,501,776 | \$ 1,709,607 | 2,129,393 | 1,081,782 |
| Per cent to Sales | 7.9 | 6.7 | 7.4 | 5.1 |
| Per Share Outstanding | 2.77 | 1.90 | 2.36 | 1.20 |
| CAPITAL INVESTMENT | | | | |
| Equipment Leased to Customers | \$ 1,537,623 | \$ 1,779,590 | 1,539,963 | 1,450,251 |
| Property, Plant and Equipment | 241,156 | 194,956 | 384,599 | 460,929 |
| FINANCIAL POSITION YEAR-END | | | | |
| Total Assets | \$30,784,211 | \$30,582,683 | 32,168,250 | 26,926,953 |
| Working Capital | 17,265,556 | 14,887,442 | 13,650,970 | 12,279,152 |
| Current Ratio | 3.7 to 1 | 2.8 to 1 | 2.2 to 1 | 2.5 to 1 |
| Installment Contracts Receivable | \$13,026,000 | \$14,423,000 | 14,102,500 | 11,967,900 |
| Equipment Leased to Customers—Net . | 3,410,368 | 3,588,896 | 2,989,117 | 2,496,318 |
| Property, Plant and Equipment—Net .. | 3,728,400 | 3,869,507 | 4,034,112 | 4,079,448 |
| Shareholders' Equity | 21,068,281 | 18,626,449 | 16,976,786 | 14,907,337 |
| Book Value per Share | 23.35 | 20.65 | 18.82 | 16.53 |
| EMPLOYMENT | | | | |
| Number of Employees at Year-end | 841 | 653 | 826 | 792 |
| SHAREHOLDERS | | | | |
| Number of Shareholders | 296 | 327 | 349 | 371 |
| Dividend per Share | \$.75 | .75 | .75 | .75 |

| 1967 | 1966 | 1965 | 1964 | 1963 | 1962 |
|------------|------------|------------|------------|------------|------------|
| 22,952,426 | 22,911,688 | 19,348,156 | 14,867,023 | 12,627,354 | 10,787,579 |
| 919,850 | 775,477 | 632,095 | 654,197 | 813,864 | 795,921 |
| 17,354,237 | 17,088,892 | 15,050,404 | 11,951,467 | 10,101,333 | 8,748,598 |
| 75.6 | 74.6 | 77.8 | 80.4 | 80.4 | 81.1 |
| 1,729,576 | 1,697,042 | 1,470,490 | 1,257,888 | 1,021,817 | 965,621 |
| 7.5 | 7.4 | 7.6 | 8.5 | 8.1 | 8.9 |
| 564,313 | 457,234 | 295,384 | 158,510 | 144,776 | 87,740 |
| 305,781 | 286,138 | 277,729 | 261,493 | 249,104 | 264,147 |
| 3,348,376 | 3,595,031 | 2,467,028 | 1,571,488 | 1,524,646 | 1,141,296 |
| 14.6 | 15.7 | 12.8 | 10.6 | 12.1 | 10.6 |
| 1,570,376 | 1,670,031 | 1,182,028 | 804,488 | 1,492,646 | 1,126,314 |
| 6.8 | 7.3 | 6.1 | 5.4 | 11.8 | 10.4 |
| 1.74 | 1.85 | 1.31 | .89 | 1.66 | 1.25 |
| 759,006 | 1,023,144 | 891,274 | 248,748 | 208,119 | 249,793 |
| 797,337 | 413,878 | 433,130 | 175,741 | 90,724 | 36,908 |
| 23,619,559 | 24,192,856 | 19,511,355 | 17,754,007 | 17,524,597 | 19,195,305 |
| 12,358,891 | 12,487,399 | 11,551,133 | 11,558,429 | 11,921,605 | 10,476,166 |
| 3.4 to 1 | 3.0 to 1 | 4.6 to 1 | 6.3 to 1 | 9.4 to 1 | 3.3 to 1 |
| 10,001,350 | 9,007,303 | 7,045,080 | 5,449,427 | 6,237,809 | 6,633,085 |
| 1,848,143 | 1,687,672 | 1,155,984 | 585,318 | 502,446 | 445,351 |
| 3,975,530 | 3,495,960 | 3,374,570 | 3,226,242 | 3,438,093 | 3,643,128 |
| 13,885,499 | 12,375,067 | 10,719,973 | 9,576,945 | 8,772,457 | 7,279,811 |
| 15.39 | 13.72 | 11.91 | 10.64 | 9.75 | 8.09 |
| 846 | 853 | 781 | 589 | 421 | 554 |
| 391 | 347 | 357 | 355 | 390 | 370 |
| .75 | .50 | .50 | — | — | — |

REVENUE DOLLAR DISTRIBUTION *

| | | |
|--------------|-------|-------------------------------------------------------------------------------------|
| Materials | | For raw materials, component parts, accessories and trade-in units for resale |
| Employees | | For wages, salaries and benefits |
| Expenses | | For operating and general expenses including depreciation and interest expense |
| Government | | For federal and provincial taxes on income |
| Shareholders | | Net earnings after taxes available for dividends and reinvestment for future growth |

* Revenues include sales plus finance and miscellaneous revenues earned in each of the periods.





1970



1969



1968

